

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN
CALIFORNIA GAS COMPANY For
Authorization to Establish a Revenue Sharing
Mechanism for the Production of Native Gas.
(U 904 G)

Application 04-01-034
(Filed January 26, 2004)

**SCOPING MEMO AND RULING OF THE ASSIGNED COMMISSIONER
AND ASSIGNED ADMINISTRATIVE LAW JUDGE**

Summary

On January 26, 2004, Southern California Gas Company (SoCalGas) filed the above-captioned application. A prehearing conference (PHC) was held on April 27, 2004, to discuss the following: the scope of issues; whether evidentiary hearings are needed; the possibility of a settlement or stipulation; and the procedural schedule to be followed. This scoping memo and ruling addresses those issues below.

Today's ruling also grants the petitions to intervene that were filed by Local 483 Utility Workers Union of America (Local 483), and the Western States Petroleum Association (WSPA).

Background

SoCalGas' application was protested by the following: California Independent Petroleum Association and the California Natural Gas Producers Association; Hallador Production Company; Indicated Producers; Office of Ratepayer Advocates; Southern California Edison Company; and the Southern

California Generation Coalition. SoCalGas filed a response to the protests on March 11, 2004.

In the March 22, 2004 ruling of the assigned administrative law judge (ALJ), a PHC was noticed for April 27, 2004. The March 22, 2004 ruling also identified a preliminary scope of issues to be considered in this proceeding. Interested parties were given the opportunity to file PHC statements, and to comment on whether the proceeding should address any other issues.

In advance of the April 27, 2004 PHC, PHC statements were filed by the following: SoCalGas; California Department of Conservation's Division of Oil, Gas, and Geothermal Resources; California Independent Petroleum Association and the California Natural Gas Producers Association; County of Santa Barbara; Indicated Producers; Southern California Generation Coalition; and The Utility Reform Network.

On April 30, 2004, a petition to intervene in this proceeding was filed by WSPA. On May 3, 2004, a petition to intervene was filed by Local 483.

Petitions to Intervene

WSPA's petition states that it "is a non-profit trade association that represents approximately 36 companies that account for the bulk of petroleum exploration, production, refining, transportation and marketing in the State of California and five other western states." (WSPA Petition, p. 2.) SoCalGas' application proposes that access to its gas transportation and storage system be consistent with the terms and conditions that apply to other California gas producers. Since WSPA has an interest in the access issues, WSPA's members could be affected by the outcome of any settlement or resolution in this proceeding.

Local 483 states that it “represents workers who install, operate and maintain the pipelines and processing equipment necessary to produce native gas,” and “has expertise on Transmission and Storage workforce issues, public and employee safety issues, gas reservoir data, interface between existing gas storage zones and newly discovered gas, and necessary utilization of existing gas processing facilities and pipelines and personnel.” (Local 483 Petition.)

Local 483 contends that this expertise will benefit the Commission on the various issues raised by SoCalGas’ application.

No one filed any response to the two petitions to intervene.

The petition to intervene of WSPA, and the petition to intervene of Local 483, are granted. Their respective interests in this proceeding will aid the Commission in the resolution of the issues raised by SoCalGas’ application.

Scope of Issues

At the PHC, the parties were given the opportunity to raise other issues that the Commission should consider in this proceeding. No one raised additional issues. Thus, as stated during the PHC, the issues listed in the March 22, 2004 ruling should be considered in this proceeding. These issues are as follows:

1. Whether the Commission should authorize SoCalGas to establish a cost/revenue sharing mechanism, as proposed in its application, to provide SoCalGas with the incentive to drill additional wells at or near SoCalGas’ existing storage fields in an effort to locate and produce new gas supplies.
2. Whether the request for such authorization contemplates that the authorization include the Commission’s approval for SoCalGas to drill additional wells at or near SoCalGas’ existing storage fields.

3. Whether the additional drilling contemplated by SoCalGas is subject to CEQA review by this Commission or another lead agency.
4. Whether SoCalGas filed, or plans to file, for any necessary city, county or state permits, licenses, or authorizations to allow it to drill additional wells.
5. Whether the cost/revenue sharing mechanism compensates ratepayers equitably.
6. Whether the allocation of compensation between the core and non-core is reasonable.
7. Whether appropriate measures need to be taken to monitor and ensure that the additional well drilling does not affect or impact SoCalGas' gas storage operations or the gas placed in storage by SoCalGas' gas storage customers.
8. Whether the well drilling will result in the use of existing ratepayer-funded resources and/or facilities, whether SoCalGas should compensate ratepayers for this use, and whether appropriate accounting mechanisms need to be adopted.
9. Whether the gas produced from SoCalGas' well drilling is subject to the same terms and conditions as other gas produced in California, and whether appropriate safeguards need to be adopted.
10. Whether the additional well drilling will result in additional gas storage space, and who will retain control over the use of the depleted well.
11. Whether it is more cost effective for SoCalGas to have a third-party drill the wells and produce the gas.
12. Whether the gas production from the drilling of the additional wells affects SoCalGas' Gas Cost Incentive Mechanism.

SoCalGas and some of the other parties indicated in their PHC statements and at the PHC that SoCalGas and some of the other parties were discussing the

possibility of a stipulation or settlement. The parties indicated, however, that they preferred that a procedural schedule for submitting testimony and evidentiary hearings dates be established. By reserving the testimony due dates and hearing dates, the processing of this application can continue in the event a stipulation or settlement is not reached. If a stipulation or settlement is reached, the testimony due dates and hearing dates may not be needed.

After reviewing the application, the protests, SoCalGas' reply to the protests, the PHC statements, and the comments of the parties at the PHC, evidentiary hearings on some or all of the issues listed above will be held in accordance with the schedule outlined below.

SoCalGas shall serve additional testimony, if any, on the service list on June 17, 2004.¹ The prepared testimony of parties other than SoCalGas shall be served on the service list on July 21, 2004. Any rebuttal prepared testimony shall be served on August 11, 2004.

The evidentiary hearings will be held beginning on Tuesday, August 24, 2004, starting at 9:00 a.m., and shall continue each day thereafter through August 27, 2004 as needed. The evidentiary hearings shall take place at the Commission's Hearing Room, 505 Van Ness Avenue, State Office Building, San Francisco, California.

Pursuant to Pub. Util. Code § 1701.3(d) and Rule 8(d) of the Commission's Rules of Practice and Procedure, a party has the right to make a final oral

¹ SoCalGas' prepared testimony was submitted as part of its application on January 26, 2004.

argument before the Commission. Any party requesting final oral argument shall make such a request in writing to the ALJ no later than July 23, 2004.

Rule 6(a)(3) of the Commission's Rules of Practice and Procedure provides in part that the assigned Commissioner shall rule on the category of the proceeding. SoCalGas proposed that this proceeding be categorized as ratesetting. In Resolution ALJ 176-3128, which was ratified by the Commission on February 11, 2004, this proceeding was preliminarily categorized as ratesetting. This scoping memo and ruling confirms the categorization of this proceeding as ratesetting. Anyone who disagrees with this categorization must file an appeal of the categorization no later than ten days after the date of this ruling. (See Rule 6.4.)

As a ratesetting proceeding, ex parte communications are permitted only if they are consistent with the restrictions set forth in Rule 7(c), and are subject to the reporting requirements set forth in Rule 7.1.

ALJ Wong is designated the principal hearing officer for this proceeding.

Discovery Disputes

If the parties have discovery disputes they are unable to resolve by meeting and conferring, they should raise these disputes with the Commission pursuant to Resolution ALJ-164.

Intervenor Compensation

In accordance with Pub. Util. Code § 1804, a notice of intent to claim compensation in this proceeding must be filed and served within 30 days of the April 27, 2004 PHC.

Service List

As a result of the taking of appearances at the PHC, and today's ruling on the petitions to intervene, the service list for this proceeding has been

established. The service list may be accessed on the Commission's web site at www.cpuc.ca.gov. Parties shall serve all documents on all appearances listed on the service list, including those identified as Information Only and State Service. All documents shall be served by electronic mail and regular mail.

Persons designated as Information Only do not have status to appeal a Commission decision.

Schedule

The following is the schedule that shall be followed in this proceeding:

Additional SoCalGas prepared testimony, if any, served on the parties to this proceeding	June 17, 2004
Prepared testimony of the other parties served	July 21, 2004
Rebuttal prepared testimony served	August 11, 2004
Evidentiary hearings in San Francisco	August 24 through August 27, 2004
Briefing schedule	To be decided
Projected submission date	Upon filing of reply briefs
Proposed decision	To be decided

It is expected that this proceeding will be completed within 18 months of the date this scoping memo and ruling is issued, consistent with Pub. Util. Code § 1701.5.

Therefore, **IT IS RULED** that:

1. The April 30, 2004 petition to intervene of the Western States Petroleum Association (WSPA) is granted.

The names listed on page 1 of WSPA's petition to intervene shall be added to the service list for this proceeding.

2. The May 3, 2004 petition to intervene of Local 483 Utility Workers Union of America (Local 483) is granted.

The name listed on Local 483's petition to intervene shall be added to the service list for this proceeding.

3. The scope of issues in this proceeding, and the schedule for resolving these issues, is set forth in the body of this ruling.

4. Any party requesting final oral argument shall make such a request in writing to the administrative law judge (ALJ) no later than July 23, 2004.

5. The preliminary categorization of this proceeding as ratesetting is confirmed.

6. ALJ John S. Wong is designated the principal hearing officer for this proceeding.

7. Discovery disputes shall use the procedures set forth in Resolution ALJ-164.

8. The time period for filing a notice of intent to claim intervenor compensation commenced on April 27, 2004.

Dated May 26, 2004, at San Francisco, California.

Geoffrey F. Brown
Assigned Commissioner

John S. Wong
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Scoping Memo and Ruling of the Assigned Commissioner and Assigned Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated May 26, 2004, at San Francisco, California.

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TTY# 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.